

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input checked="" type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name City of Wayland	County Allegan
Fiscal Year End June 30, 2006	Opinion Date November 21, 2006	Date Audit Report Submitted to State December 28, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).


YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☒ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☒ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☒ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>	No other documents necessary	
Certified Public Accountant (Firm Name) Siegfried Crandall, PC		Telephone Number (269) 381-4970	
Street Address 246 East Kilgore Road		City Kalamazoo	State MI
		Zip 49002	
Authorizing CPA Signature 		Printed Name Daniel L. Veldhuizen, CPA	License Number 1101020724

*City of Wayland*  
*Allegan County, Michigan*  
**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT**  
*Year ended June 30, 2006*

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## INDEPENDENT AUDITORS' REPORT

City Council  
City of Wayland, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely-presented component unit, each major fund, and the aggregate remaining fund information of the City of Wayland, Michigan, as of June 30, 2006, and for the year then ended, which collectively comprise the City's financial statements, as listed in the contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely-presented component unit, each major fund, and the aggregate remaining fund information of the City of Wayland, Michigan, as of June 30, 2006, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

The budgetary comparison information, and the schedule of funding progress, are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. The City of Wayland has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the financial statements.

City Council  
City of Wayland, Michigan  
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Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the City of Wayland, Michigan's basic financial statements. The supplementary information, as listed in the contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements of the City of Wayland, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Liegfried Crandall P.C.*

November 21, 2006

## **BASIC FINANCIAL STATEMENTS**

**City of Wayland**  
**STATEMENT OF NET ASSETS**  
June 30, 2006

	<b>Primary Government</b>			<b>Component unit</b>
	<b>Governmental activities</b>	<b>Business-type activities</b>	<b>Totals</b>	<b>Downtown Development Authority</b>
<b>ASSETS</b>				
Current assets:				
Cash	\$ 671,588	\$ -	\$ 671,588	\$ 192,949
Receivables	204,974	177,335	382,309	-
Internal balances	464,767	(464,767)	-	-
Total current assets	<u>1,341,329</u>	<u>(287,432)</u>	<u>1,053,897</u>	<u>192,949</u>
Noncurrent assets:				
Unamortized bond issuance costs	-	31,531	31,531	-
Receivables	30,288	-	30,288	-
Land	733,783	319,730	1,053,513	-
Depreciable capital assets, net	8,463,490	5,462,923	13,926,413	-
Total noncurrent assets	<u>9,227,561</u>	<u>5,814,184</u>	<u>15,041,745</u>	<u>-</u>
Total assets	<u>10,568,890</u>	<u>5,526,752</u>	<u>16,095,642</u>	<u>192,949</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	60,563	10,040	70,603	8,200
Accrued liabilities	23,000	35,300	58,300	-
Deferred revenue	206,250	-	206,250	-
Bonds and loans payable	232,120	243,007	475,127	-
Total current liabilities	<u>521,933</u>	<u>288,347</u>	<u>810,280</u>	<u>8,200</u>
Noncurrent liabilities:				
Compensated absences	24,644	12,692	37,336	-
Bonds and loans payable	1,595,148	3,010,046	4,605,194	-
Total noncurrent liabilities	<u>1,619,792</u>	<u>3,022,738</u>	<u>4,642,530</u>	<u>-</u>
Total liabilities	<u>2,141,725</u>	<u>3,311,085</u>	<u>5,452,810</u>	<u>8,200</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	7,370,005	2,529,600	9,899,605	-
Restricted for:				
Community building and park improvements	593,894	-	593,894	-
Public works	414,358	-	414,358	-
Public safety	1,676	-	1,676	-
Unrestricted (deficit)	47,232	(313,933)	(266,701)	184,749
Total net assets	<u>\$ 8,427,165</u>	<u>\$ 2,215,667</u>	<u>\$ 10,642,832</u>	<u>\$ 184,749</u>

See notes to financial statements

**City of Wayland**  
**STATEMENT OF ACTIVITIES**  
Year ended June 30, 2006

Functions/Programs	<u>Expenses</u>	<u>Program revenues</u>		
		<u>Charges for services</u>	<u>Operating grants and contributions</u>	<u>Capital grants and contributions</u>
Primary government:				
Governmental activities:				
Legislative	\$ 21,146	\$ -	\$ -	\$ -
General government	380,453	89,728	-	-
Public safety	790,635	160,378	17,608	-
Public works	1,320,751	2,457	356,587	270,199
Community and economic development	58,822	-	-	-
Health and welfare	6,000	-	-	-
Culture and recreation	4,090	-	-	-
Interest on long-term debt	51,333	-	-	-
Total governmental activities	<u>2,633,230</u>	<u>252,563</u>	<u>374,195</u>	<u>270,199</u>
Business-type activities:				
Sewer	556,572	517,734	-	5,749
Water	368,993	427,031	-	10,221
Total business-type activities	<u>925,565</u>	<u>944,765</u>	<u>-</u>	<u>15,970</u>
Total primary government	<u>\$ 3,558,795</u>	<u>\$ 1,197,328</u>	<u>\$ 374,195</u>	<u>\$ 286,169</u>
Component unit:				
Downtown Development Authority	<u>\$ 337,587</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues:  
Property taxes  
State shared revenue  
Unrestricted investment return

Total general revenues

Change in net assets

Net assets - beginning

Net assets - ending



<u>Net (expenses) revenues and changes in net assets</u>			<u>Component</u>
<u>Primary government</u>			<u>unit</u>
<u>Governmental</u>	<u>Business-type</u>	<u>Totals</u>	<u>Downtown</u>
<u>activities</u>	<u>activities</u>		<u>Development</u>
			<u>Authority</u>
\$ (21,146)		\$ (21,146)	
(290,725)		(290,725)	
(612,649)		(612,649)	
(691,508)		(691,508)	
(58,822)		(58,822)	
(6,000)		(6,000)	
(4,090)		(4,090)	
<u>(51,333)</u>		<u>(51,333)</u>	
 <u>(1,736,273)</u>		 <u>(1,736,273)</u>	
	\$ (33,089)	(33,089)	
	<u>68,259</u>	<u>68,259</u>	
 -	 35,170	 35,170	
 <u>(1,736,273)</u>	 <u>35,170</u>	 <u>(1,701,103)</u>	
			\$ <u>(337,587)</u>
1,252,160	-	1,252,160	353,793
397,863	-	397,863	-
<u>37,915</u>	<u>17,818</u>	<u>55,733</u>	<u>-</u>
 <u>1,687,938</u>	 <u>17,818</u>	 <u>1,705,756</u>	 <u>353,793</u>
(48,335)	52,988	4,653	16,206
<u>8,475,500</u>	<u>2,162,679</u>	<u>10,638,179</u>	<u>168,543</u>
<u>\$ 8,427,165</u>	<u>\$ 2,215,667</u>	<u>\$ 10,642,832</u>	<u>\$ 184,749</u>

See notes to financial statements

**City of Wayland**  
**BALANCE SHEET - governmental funds**  
June 30, 2006

	<u>General</u>	<u>Community Building and Park Improvement</u>	<u>Major Street</u>
<b>ASSETS</b>			
Cash	\$ 98,943	\$ 22,432	\$ 294,768
Receivables	141,652	-	32,937
Due from other funds	-	571,462	-
	<u>-</u>	<u>571,462</u>	<u>-</u>
Total assets	<u>\$ 240,595</u>	<u>\$ 593,894</u>	<u>\$ 327,705</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 39,024	\$ -	\$ 21,539
Deferred revenue	-	-	206,250
	<u>-</u>	<u>-</u>	<u>206,250</u>
Total liabilities	<u>39,024</u>	<u>-</u>	<u>227,789</u>
Fund balances:			
Reserved for long-term receivables	-	-	-
Unreserved	201,571	593,894	99,916
Unreserved, reported in nonmajor special revenue funds	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>201,571</u>	<u>593,894</u>	<u>99,916</u>
Total liabilities and fund balances	<u>\$ 240,595</u>	<u>\$ 593,894</u>	<u>\$ 327,705</u>

Total fund balances - all governmental funds

Amounts reported for *governmental activities* in the statement of net assets are different because:

Capital assets used in *governmental activities* are not financial resources and, therefore, are not reported in the funds.

Internal service funds are used by management to charge costs of equipment and vehicle management to individual funds. The assets and liabilities of the internal service fund are included in *governmental activities* in the statement of net assets.

Some liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.

Net assets of *governmental activities* (page 4)

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<i><b>Nonmajor governmental funds</b></i>	<i><b>Total governmental funds</b></i>
\$ 255,445	\$ 671,588
60,673	235,262
-	571,462

<u>\$ 316,118</u>	<u>\$ 1,478,312</u>
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\$ -	\$ 60,563
-	206,250
-	266,813

50,288	50,288
-	895,381
265,830	265,830

<u>316,118</u>	<u>1,211,499</u>
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<u>\$ 316,118</u>	<u>\$ 1,478,312</u>
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	\$ 1,211,499
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8,438,006

294,323

(1,516,663)

\$ 8,427,165

See notes to financial statements

**City of Wayland**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
governmental funds**

Year ended June 30, 2006

	<u>General</u>	<u>Community Building and Park Improvement</u>	<u>Major Street</u>	<u>Nonmajor governmental funds</u>	<u>Total governmental funds</u>
<b>REVENUES</b>					
Property taxes	\$ 1,252,160	\$ -	\$ -	\$ -	\$ 1,252,160
Federal grants	15,295	-	-	-	15,295
State grants	397,863	-	199,473	77,166	674,502
Fines and forfeitures	18,017	-	-	-	18,017
Licenses and permits	27,086	-	-	-	27,086
Intergovernmental	115,275	-	-	82,261	197,536
Charges for services	36,488	-	-	-	36,488
Interest and rentals	39,431	12,877	1,500	2,350	56,158
Other	34,887	-	-	110	34,997
Total revenues	<u>1,936,502</u>	<u>12,877</u>	<u>200,973</u>	<u>161,887</u>	<u>2,312,239</u>
<b>EXPENDITURES</b>					
Legislative	21,146	-	-	-	21,146
General government	356,420	-	-	-	356,420
Public safety	767,515	-	-	685	768,200
Public works	401,806	-	110,599	44,583	556,988
Community and economic development	58,822	-	-	-	58,822
Health and welfare	6,000	-	-	-	6,000
Debt service:					
Principal	139,910	-	45,000	-	184,910
Interest	9,910	-	31,770	-	41,680
Capital outlay	30,681	-	-	-	30,681
Total expenditures	<u>1,792,210</u>	<u>-</u>	<u>187,369</u>	<u>45,268</u>	<u>2,024,847</u>
<b>NET CHANGE IN FUND BALANCES</b>	144,292	12,877	13,604	116,619	287,392
<b>FUND BALANCES - BEGINNING</b>	<u>57,279</u>	<u>581,017</u>	<u>86,312</u>	<u>199,499</u>	<u>924,107</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 201,571</u>	<u>\$ 593,894</u>	<u>\$ 99,916</u>	<u>\$ 316,118</u>	<u>\$ 1,211,499</u>

See notes to financial statements

**City of Wayland**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
governmental funds (Continued)**

Year ended June 30, 2006

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Net change in fund balances - total governmental funds	\$ 287,392
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Amounts reported for *governmental activities* in the statement of activities  
are different because:

Capital assets:

Assets acquired	244,728
Provision for depreciation	(685,650)

Long-term debt - principal repayments	232,823
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Changes in other assets/liabilities:

Net decrease in accrued interest	11,200
Net decrease in liability for compensated absences	770

The net expenses of the internal service fund are reported with <i>governmental activities</i>	<u>(139,598)</u>
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Change in net assets of <i>governmental activities</i> (page 6)	<u>\$ (48,335)</u>
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See notes to financial statements

**City of Wayland**  
**STATEMENT OF NET ASSETS - proprietary funds**  
June 30, 2006

	<b>Business-type activities</b>			<b>Governmental activities</b>
	<b>Enterprise funds</b>			<b>Internal service</b>
	<b>Sewer</b>	<b>Water</b>	<b>Totals</b>	
<b>ASSETS</b>				
Current assets - accounts receivable	\$ 95,177	\$ 82,158	\$ 177,335	\$ -
Noncurrent assets:				
Unamortized bond issuance costs	31,531	-	31,531	-
Land	275,730	44,000	319,730	-
Depreciable capital assets, net	4,271,320	1,191,603	5,462,923	759,267
Total noncurrent assets	4,578,581	1,235,603	5,814,184	759,267
Total assets	4,673,758	1,317,761	5,991,519	759,267
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	4,613	5,427	10,040	-
Accrued liabilities	37,846	10,146	47,992	-
Due to other funds	213,563	166,967	380,530	190,932
Loan payable	10,548	20,459	31,007	52,886
Bonds payable	100,000	112,000	212,000	-
Total current liabilities	366,570	314,999	681,569	243,818
Noncurrent liabilities:				
Revenue bonds payable	2,625,000	168,000	2,793,000	-
Loan payable	73,837	143,209	217,046	305,363
Total noncurrent liabilities	2,698,837	311,209	3,010,046	305,363
Total liabilities	3,065,407	626,208	3,691,615	549,181
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	1,737,665	791,935	2,529,600	401,018
Unrestricted (deficit)	(129,314)	(100,382)	(229,696)	(190,932)
Total net assets	\$ 1,608,351	\$ 691,553	2,299,904	\$ 210,086
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.			(84,237)	
Net assets of <i>business-type activities</i> (page 5)			\$ 2,215,667	

See notes to financial statements

**City of Wayland**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN  
NET ASSETS - *proprietary funds***

*Year ended June 30, 2006*

	<b><i>Business-type activities</i></b>			<b><i>Governmental activities</i></b>
	<b><i>Enterprise funds</i></b>			<b><i>Internal service</i></b>
	<b><i>Sewer</i></b>	<b><i>Water</i></b>	<b><i>Totals</i></b>	
<b>OPERATING REVENUES</b>				
Charges for services	\$ 517,734	\$ 427,031	\$ 944,765	\$ 101,211
<b>OPERATING EXPENSES</b>				
Sewer	289,282	-	289,282	-
Water	-	274,153	274,153	-
Cost of interfund services provided	-	-	-	117,129
Depreciation and amortization	126,116	65,933	192,049	129,095
Total operating expenses	415,398	340,086	755,484	246,224
<b>OPERATING INCOME (LOSS)</b>	102,336	86,945	189,281	(145,013)
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest income	12,553	5,265	17,818	-
Forgiveness of debt	5,749	10,221	15,970	-
Interest expense	(127,613)	(16,199)	(143,812)	(20,854)
Total nonoperating expenses	(109,311)	(713)	(110,024)	(20,854)
<b>CHANGE IN NET ASSETS</b>	(6,975)	86,232	79,257	(165,867)
<b>NET ASSETS - BEGINNING</b>	1,615,326	605,321		375,953
<b>NET ASSETS - ENDING</b>	\$ 1,608,351	\$ 691,553		\$ 210,086
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.			(26,269)	
Change in net assets of <i>business-type activities</i> (page 6)			\$ 52,988	

See notes to financial statements

**City of Wayland**  
**STATEMENT OF CASH FLOWS - proprietary funds**  
Year ended June 30, 2006

	<b>Business-type activities</b>			<b>Governmental activities</b>
	<b>Enterprise funds</b>			<b>Internal service</b>
	<b>Sewer</b>	<b>Water</b>	<b>Totals</b>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers/funds	\$ 509,458	\$ 424,224	\$ 933,682	\$ 101,211
Payments to suppliers	(175,695)	(142,773)	(318,468)	(107,263)
Payments to employees	(112,208)	(132,249)	(244,457)	(16,554)
Net cash provided by (used in) operating activities	<u>221,555</u>	<u>149,202</u>	<u>370,757</u>	<u>(22,606)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Increase (decrease) in due to other funds	<u>6,844</u>	<u>(3,522)</u>	<u>3,322</u>	<u>100,349</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition of capital assets	-	-	-	(8,475)
Principal payments on capital debt	(111,839)	(133,047)	(244,886)	(48,414)
Interest payments on capital debt	(129,113)	(17,898)	(147,011)	(20,854)
Net cash used in capital and related financing activities	<u>(240,952)</u>	<u>(150,945)</u>	<u>(391,897)</u>	<u>(77,743)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest received	<u>12,553</u>	<u>5,265</u>	<u>17,818</u>	<u>-</u>
<b>NET CHANGE IN CASH</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>CASH - BEGINNING</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>CASH - ENDING</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See notes to financial statements



**City of Wayland**

**STATEMENT OF CASH FLOWS - proprietary funds (Continued)**

Year ended June 30, 2006

	<b>Business-type activities</b>			<b>Governmental activities</b>
	<b>Enterprise funds</b>			<b>Internal service</b>
	<b>Sewer</b>	<b>Water</b>	<b>Totals</b>	
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>				
Operating income (loss)	\$ 102,336	\$ 86,945	\$ 189,281	\$ (145,013)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization expense	126,116	65,933	192,049	129,095
Changes in assets and liabilities:				
Receivables	(8,276)	(2,807)	(11,083)	-
Accounts payable	1,379	(869)	510	(6,688)
Net cash provided by (used in) operating activities	<u>\$ 221,555</u>	<u>\$ 149,202</u>	<u>\$ 370,757</u>	<u>\$ (22,606)</u>
<b>Noncash capital and related financing activities:</b>				
Reduction in capital debt	\$ (117,589)	\$ (143,268)	\$ (260,857)	\$ -
Less forgiveness of debt	<u>5,750</u>	<u>10,221</u>	<u>15,971</u>	<u>-</u>
Net cash used	<u>\$ (111,839)</u>	<u>\$ (133,047)</u>	<u>\$ (244,886)</u>	<u>\$ -</u>

See notes to financial statements

**City of Wayland**  
**STATEMENT OF FIDUCIARY NET ASSETS - Agency Fund**  
*June 30, 2006*

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**ASSETS**

Cash	\$	<u>539,357</u>
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**LIABILITIES**

Payables	\$	167,478
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Due to other governmental units		<u>371,879</u>
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Total liabilities	\$	<u>539,357</u>
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*See notes to financial statements*

**City of Wayland**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The accounting policies of the City of Wayland, Michigan (the City), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governmental units. The following is a summary of the significant accounting policies.

*a) Reporting entity:*

The accompanying financial statements present the City and its component unit, an entity for which the City is considered to be financially accountable. The component unit is reported in a separate column in the government-wide financial statements to emphasize it is legally from the government.

*Discretely-presented component unit - Downtown Development Authority:*

This unit is presented in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City. Separate financial statements of the component unit have not been issued as management believes these financial statements, including disclosures, contain complete information so as to constitute a fair presentation of the component unit. The component unit's governing body is appointed by the City Council and its budget must be approved by the City Council.

*b) Government-wide and fund financial statements:*

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

*c) Measurement focus, basis of accounting, and financial statement presentation:*

The government-wide financial statements are reported using the economic resources, measurement focus, and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

**City of Wayland**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

*c) Measurement focus, basis of accounting, and financial statement presentation (continued):*

Governmental fund financial statements are reported using the current financial resources, measurement focus, and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City generally considers revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the City.

The City reports the following major governmental funds:

The General Fund is the City's primary operating fund. It accounts for all financial resources of the City, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

The Community Building and Park Improvement Fund accounts for the improvements to the City's community buildings and parks. Available resources were provided by a private donor.

The City reports the following major proprietary funds:

The Sewer Fund accounts for the operation of the City's sewer system and treatment facilities.

The Water Fund accounts for the operation of the City's water mains and pumping facilities.

Additionally, the City reports the following fund types:

The Internal Service Fund accounts for vehicle and equipment management services provided to other departments of the City on a cost-reimbursement basis.

The Agency Fund accounts for the collection and disbursement of property taxes for other governmental units.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board (GASB). Governments also have the option of following subsequent private sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The City has elected not to follow subsequent private-sector standards.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

**City of Wayland**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

*c) Measurement focus, basis of accounting, and financial statement presentation (continued):*

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds relate to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

*d) Assets, liabilities, and net assets or equity:*

*i) Bank deposits* - Cash is considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

*ii) Receivables* - In general, outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." No allowance for uncollectible accounts has been recorded as the City considers all receivables to be fully collectible.

*iii) Prepaid items* - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in the government-wide financial statements.

*iv) Capital assets* - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., streets and sidewalks), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets other than infrastructure are defined by the City as assets with an initial cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The City has elected to use the prospective method of accounting for infrastructure assets whereby it will capitalize its infrastructure assets beginning July 1, 2003, as permitted by GASB Statement No. 34.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	10 - 50 years
Equipment	3 - 20 years
Sewer and water systems	50 years

**City of Wayland**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

*d) Assets, liabilities, and net assets or equity (continued):*

*v) Compensated absences* - Vacation time is earned in varying amounts depending upon years of service. Employees may accumulate and carry over a maximum of twenty days. Upon retirement or termination, employees are paid for unused vacation time at their current rates. Employees are granted twelve paid personal days per year. Unused personal time does not accumulate, but a maximum of seven days' time is paid to the employee at the end of the first pay period of the following calendar year.

*vi) Deferred revenue* - In the fund financial statements, governmental funds report deferred revenue in connection with resources that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned.

*vii) Fund equity* - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

*viii) Property tax revenue recognition* - Property taxes are levied as of July 1 on property values assessed as of December 31 of the prior year. The billings are due on or before August 1, after which time the bill becomes delinquent and penalties and interest may be assessed by the Township. Property tax revenue is recognized in the year for which taxes have been levied and become available. The City levy date is July 1, and, accordingly, the total levy is recognized as revenue in the current year.

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:**

*Budgetary information* - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The budget document presents information by fund, function, department, and line-item. The legal level of budgetary control adopted by the City Council is the functional level.

*Excess of expenditures over appropriations in budgetary funds* - P.A. 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. The City's significant budgetary violations are as follows:

<u>Fund</u>	<u>Function</u>	<u>Amended budget</u>	<u>Actual expenditures</u>	<u>Variance</u>
General	Legislative	\$ 14,200	\$ 21,146	\$ (6,946)
Major Street	Debt service - principal	40,000	45,000	(5,000)

*Fund deficits* - As of June 30, 2006, the City's enterprise funds each have accumulated unrestricted net asset deficits, in the total amount of \$229,696, because revenues have been insufficient to cover the costs of operations. Future revenues will be enhanced through the increase in utility billing rates in an effort to eliminate the deficits.

**City of Wayland**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 3 - CASH:**

At June 30, 2006, cash is presented in the accompanying financial statements as follows:

Statement of net assets:	
Primary government	\$ 671,588
Component unit	192,949
Fiduciary fund	<u>539,357</u>
 Total cash	 <u>\$ 1,403,894</u>

At June 30, 2006, cash consists of the following:

Cash on hand	\$ 225
Deposits with financial institutions	<u>1,403,669</u>
 Total	 <u>\$ 1,403,894</u>

*Deposits with financial institutions:*

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) and the City's investment policy authorize the City to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations that have an office in Michigan. The City's deposits are in accordance with statutory authority.

Custodial credit risk is the risk that, in the event of the failure of a financial institution, the City will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by federal depository insurance and are uncollateralized. As of June 30, 2006, \$1,269,156 of the City's bank balances of \$1,469,156 was exposed to custodial credit risk because it was uninsured.

The City maintains pooled cash accounts for all of its funds and its component unit. Due to the use of pooled deposits, it is not practicable to allocate insured and uninsured portions of certain bank balances between the primary government and its component unit. The insured portion of the bank balance has been allocated entirely to the primary government.

The City believes that it is impractical to insure all bank deposits due to the amounts of the deposits and the limits of FDIC insurance. As a result, the City evaluates each financial institution with which it deposits funds and assesses the risk level of each institution. Only the institutions with an acceptable estimated risk level are used as depositories.

**City of Wayland**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 4 - RECEIVABLES:**

At June 30, 2006, the City's receivables are as follows:

	<u>Accounts</u>	<u>Inter- governmental</u>	<u>Totals</u>
Governmental funds:			
General	\$ 13,095	\$ 128,557	\$ 141,652
Major Street	-	32,937	32,937
Nonmajor governmental	<u>50,288</u>	<u>10,385</u>	<u>60,673</u>
Total governmental funds	<u>\$ 63,383</u>	<u>\$ 171,879</u>	<u>\$ 235,262</u>
Noncurrent portion	<u>\$ 30,288</u>	<u>\$ -</u>	<u>\$ 30,288</u>
Proprietary funds:			
Sewer Fund	\$ 95,177	\$ -	\$ 95,177
Water Fund	<u>82,158</u>	<u>-</u>	<u>82,158</u>
Total proprietary funds	<u>\$ 177,335</u>	<u>\$ -</u>	<u>\$ 177,335</u>

**NOTE 5 - CAPITAL ASSETS:**

Capital asset activity for the year ended June 30, 2006, was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Capital assets not being depreciated - land	<u>\$ 733,783</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 733,783</u>
Capital assets being depreciated:				
Buildings	740,504	-	-	740,504
Improvements	339,291	-	-	339,291
Furniture, fixtures and equipment	727,784	30,917	-	758,701
Vehicles	1,694,497	-	-	1,694,497
Street network	<u>12,686,233</u>	<u>222,286</u>	<u>-</u>	<u>12,908,519</u>
Subtotal	<u>16,188,309</u>	<u>253,203</u>	<u>-</u>	<u>16,441,512</u>
Less accumulated depreciation for:				
Buildings	(276,533)	(16,035)	-	(292,568)
Improvements	(198,922)	(12,155)	-	(211,077)
Furniture, fixtures and equipment	(524,156)	(36,130)	-	(560,286)
Vehicles	(901,500)	(113,628)	-	(1,015,128)
Street network	<u>(5,262,166)</u>	<u>(636,797)</u>	<u>-</u>	<u>(5,898,963)</u>
Subtotal	<u>(7,163,277)</u>	<u>(814,745)</u>	<u>-</u>	<u>(7,978,022)</u>



**City of Wayland**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 5 - CAPITAL ASSETS (Continued):**

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Total capital assets being depreciated, net	\$ 9,025,032	\$ (561,542)	\$ -	\$ 8,463,490
Governmental activities capital assets, net	\$ 9,758,815	\$ (561,542)	\$ -	\$ 9,197,273
Business-type activities:				
Capital assets not being depreciated - land	\$ 319,730	\$ -	\$ -	\$ 319,730
Capital assets being depreciated:				
Sewer system	5,954,693	-	-	5,954,693
Water system	2,036,864	-	-	2,036,864
Subtotal	7,991,557	-	-	7,991,557
Less accumulated depreciation for:				
Sewer system	(1,560,831)	(122,543)	-	(1,683,374)
Water system	(779,327)	(65,933)	-	(845,260)
Subtotal	(2,340,158)	(188,476)	-	(2,528,634)
Total capital assets being depreciated, net	5,651,399	(188,476)	-	5,462,923
Business-type activities capital assets, net	\$ 5,971,129	\$ (188,476)	\$ -	\$ 5,782,653

Depreciation expense was charged to governmental functions of the City as follows:

<i>Governmental activities:</i>	
General government	\$ 23,716
Public safety	101,882
Public works	685,057
Culture and recreation	4,090
Total governmental activities	\$ 814,745

**NOTE 6 - DEFERRED REVENUE:**

Deferred revenue as of June 30, 2006, in the amount of \$206,250, consists of an unearned ISTEAA grant for street improvements that are expected to be completed in the next fiscal year.

**City of Wayland**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 7 - LONG-TERM OBLIGATIONS:**

Long-term obligations at June 30, 2006, are comprised of the following individual issues:

*Governmental activities:*

Accrued employee benefits	<u>\$ 24,644</u>
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Bonds and loans:

\$69,900 2003 installment purchase agreement - payable in semi-annual installments of \$4,325 including interest at 4.5%; final payment due June 2013	51,664
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\$800,000 2001 Michigan Transportation Fund bonds - payable in annual installments of \$40,000 to \$80,000, plus interest at 4.0% to 5.30%; final payment due April 2016	610,000
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\$545,408 2001 installment purchase agreement - payable in annual installments of \$69,268, including interest at 4.6%; final payment due December 2011	358,249
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\$377,553 1998 installment purchase agreement - payable in annual interest installments of \$7,656 at 4.5%; final balloon payment due May 2013	65,129
--	--------

\$1,237,017 Michigan Strategic Fund loan - payable in quarterly installments of \$30,946; final payment due June 2014	<u>742,226</u>
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Total bonds and loans	<u>1,827,268</u>
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Total governmental activities	<u>\$ 1,851,912</u>
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*Business-type activities:*

Accrued employee benefits	<u>\$ 12,692</u>
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Bonds and loans:

\$325,000 1973 water improvement revenue bonds - payable in annual installments of \$12,000, plus interest at 5%; final payment due January 2011	60,000
--	--------

\$995,000 1993 unlimited tax general obligation bonds - payable in annual installments ranging from \$80,000 to \$120,000, plus interest at 2.75% to 5.25%; final payment due September 2007	220,000
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\$1,550,000 1998 sewer contract - payable in annual installments ranging from \$25,000 to \$125,000, plus interest at 3.9% to 6.9%; final payment due October 2020	1,350,000
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\$1,575,000 1999 sewer contract - payable in annual installments ranging from \$25,000 to \$125,000, plus interest at 4.9% to 5.625%; final payment due October 2020	1,375,000
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\$412,983 Michigan Strategic Fund loan - payable in quarterly installments of \$8,706, including interest at 4%; final payment due June 2014	<u>248,053</u>
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Total bonds and loans	<u>3,253,053</u>
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Total business-type activities	<u>\$ 3,265,745</u>
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**City of Wayland**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 7 - LONG-TERM OBLIGATIONS (Continued):**

Long-term obligations activity for the year ended June 30, 2006, was as follows:

	<i>Beginning balance</i>	<i>Additions</i>	<i>Reductions</i>	<i>Ending balance</i>	<i>Amounts due within one year</i>
Governmental activities:					
Compensated absences	\$ 25,414	\$ 36,536	\$ 37,306	\$ 24,644	\$ -
1998 installment purchase	100,129	-	35,000	65,129	35,000
1998 MSF loan	888,798	-	146,572	742,226	92,718
2001 MTF bonds	655,000	-	45,000	610,000	45,000
2001 installment purchase	406,663	-	48,414	358,249	52,886
2001 loan payable	57,915	-	6,251	51,664	6,516
Total long-term liabilities	<u>\$ 2,133,919</u>	<u>\$ 36,536</u>	<u>\$ 318,543</u>	<u>\$ 1,851,912</u>	<u>\$ 232,120</u>

	<i>Beginning balance</i>	<i>Increases</i>	<i>Reductions</i>	<i>Ending balance</i>	<i>Amounts due within one year</i>
Business-type activities:					
Compensated absences	\$ 11,845	\$ 15,107	\$ 14,260	\$ 12,692	\$ -
1973 revenue bonds	72,000	-	12,000	60,000	12,000
1993 G.O. bonds	320,000	-	100,000	220,000	100,000
1998 MSF loan	296,910	-	48,857	248,053	31,007
1998 contract payable	1,400,000	-	50,000	1,350,000	50,000
1999 contract payable	1,425,000	-	50,000	1,375,000	50,000
Total long-term liabilities	<u>\$ 3,525,755</u>	<u>\$ 15,107</u>	<u>\$ 275,117</u>	<u>\$ 3,265,745</u>	<u>\$ 243,007</u>

Debt service requirements at June 30, 2006, excluding compensated absences, were as follows:

<i>Year ended June 30:</i>	<i>Governmental activities</i>		<i>Business-type activities</i>	
	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>
2007	232,120	49,716	243,007	135,551
2008	234,960	44,211	288,007	124,505
2009	207,668	38,436	193,007	114,487
2010	215,633	33,222	193,006	107,137
2011	223,734	27,590	193,006	99,769
2012 - 2016	713,153	60,845	1,018,020	378,865
2017 - 2021	-	-	1,125,000	138,178
Totals	<u>\$ 1,827,268</u>	<u>\$ 254,020</u>	<u>\$ 3,253,053</u>	<u>\$ 1,098,492</u>

All debt is secured by the full faith and credit of the City.

**City of Wayland**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 7 - LONG-TERM OBLIGATIONS (Continued):**

*Conduit Debt Obligation:*

The City, through the Downtown Development Authority (the Authority), has issued tax incremental revenue bonds to provide financial assistance to a private-sector entity for the construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely by the private-sector entity. Neither the City, the State of Michigan, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2006, the outstanding balance on these bonds is \$330,000, with final payment due in April 2014.

Associated with this conduit debt is a commitment by the Authority to pay the private-sector entity 60% of the tax incremental revenue generated from this area for a period of fifteen years ending in fiscal year 2014.

**NOTE 8 - INTERFUND RECEIVABLES AND PAYABLES:**

Following is a summary of interfund balances as reported in the fund financial statements:

<u>Fund</u>	<u>Receivables</u>	<u>Fund</u>	<u>Payables</u>
Community Building and Park Improvement	\$ 571,462	Sewer	\$ 213,563
		Water	166,967
		Internal Service	190,932
			<u>\$ 571,462</u>

The amounts due to the Community Building and Park Improvement Fund represent short-term borrowing through the pooled checking account.

**NOTE 9 - RISK MANAGEMENT:**

The City is exposed to various risks of loss to general liability, property and casualty, workers' compensation, and employee health and medical claims. The risks of loss arising from general liability up to \$2,000,000, building contents, workers' compensation, employee medical, and casualty are managed through purchased commercial insurance. For all risks of loss, there have been no significant reductions in insurance coverage from coverage provided in prior years. Also, in the past three years, settlements did not exceed insurance coverage.

**City of Wayland**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 10 - DEFINED BENEFIT PENSION PLAN:**

*Plan description:*

The City's defined benefit pension plan provides retirement, disability, and death benefits to plan members and beneficiaries. The City's defined benefit pension plan is affiliated with the Municipal Employees' Retirement System of Michigan (MERS), an agent, multiple-employer, public employee retirement system that acts as a common investment and administrative agent for municipalities in Michigan. Public Act 220 of 1996 of the State of Michigan assigns the authority to establish and amend the benefit provisions to the City. The MERS issues a publicly-available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Municipal Employees' Retirement System of Michigan, 447 N. Canal, Lansing, Michigan 48917, or by calling 1-800-767-6377.

*Funding policy:*

Contribution rates for each participating employer and its covered employees are established and may be amended by each participating unit. The contribution rates are determined based on the benefit structure established by each employer. Covered employees are not required to contribute to the plan. Participating employers are required to contribute amounts necessary to finance the coverage of their employees through periodic contributions at actuarially-determined rates. Administrative costs of the plan are financed through investment earnings.

For the year ended June 30, 2006, the City's annual pension cost of \$139,406 for its defined benefit pension plan was equal to the required and actual contributions. The required contribution was determined as part of the December 31, 2004, actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included a) 8% investment rate of return, net of administrative expenses, b) projected salary increases of 4.5% per year, and c) no cost of living adjustments. The actuarial value of the plan's assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized over a closed period of 30 years as a level percentage of payroll.

Three-year trend information is as follows:

<u>Year ended June 30:</u>	<u>Annual pension cost (APC)</u>	<u>Percentage of APC contributed</u>	<u>Net pension obligation</u>
2004	\$ 53,720	100%	\$ -
2005	163,750	100%	-
2006	139,406	100%	-

**NOTE 11 - CONSTRUCTION CODE ACT:**

A summary of construction code enforcement transactions for the year ended June 30, 2006, follows:

Revenues	\$ 24,748
Expenses	<u>25,063</u>
Deficiency of revenues over expenses	<u>\$ (315)</u>

***City of Wayland***  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 12 - CONSTRUCTION COMMITMENT:**

As of June 30, 2006, the City had authorized contracts, in the amount of \$170,870, for street improvements on North Main and East Superior streets. These improvements will be funded by available ISTEPA funds from the State of Michigan. All costs were incurred subsequent to June 30, 2006.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**City of Wayland**  
**BUDGETARY COMPARISON SCHEDULE - General Fund**  
Year ended June 30, 2006

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>REVENUES</b>				
Property taxes	\$ 1,245,584	\$ 1,245,584	\$ 1,252,160	\$ 6,576
Federal grants	-	-	15,295	15,295
State grants	392,000	392,000	397,863	5,863
Fines and forfeitures	20,000	20,000	18,017	(1,983)
Licenses and permits	26,700	26,700	27,086	386
Intergovernmental	110,000	110,000	115,275	5,275
Charges for services	32,500	32,500	36,488	3,988
Interest and rentals	34,000	34,000	39,431	5,431
Other	15,000	15,000	34,887	19,887
<b>Total revenues</b>	<u>1,875,784</u>	<u>1,875,784</u>	<u>1,936,502</u>	<u>60,718</u>
<b>EXPENDITURES</b>				
Legislative - City Council	<u>14,200</u>	<u>14,200</u>	<u>21,146</u>	<u>(6,946)</u>
General government:				
Administration	367,000	367,000	280,429	86,571
Elections	11,250	11,250	4,893	6,357
Building maintenance	50,910	50,910	35,379	15,531
Assessor	<u>36,550</u>	<u>36,550</u>	<u>35,719</u>	<u>831</u>
<b>Total general government</b>	<u>465,710</u>	<u>465,710</u>	<u>356,420</u>	<u>109,290</u>
Public safety:				
Police department	543,000	543,000	529,733	13,267
Fire department	269,204	269,204	212,719	56,485
Inspections department	<u>25,500</u>	<u>25,500</u>	<u>25,063</u>	<u>437</u>
<b>Total public safety</b>	<u>837,704</u>	<u>837,704</u>	<u>767,515</u>	<u>70,189</u>
Public works	<u>426,400</u>	<u>426,400</u>	<u>401,806</u>	<u>24,594</u>
Community and economic development:				
Planning	15,000	15,000	27,537	(12,537)
Economic development	50,000	50,000	7,437	42,563
Community promotion	<u>27,200</u>	<u>27,200</u>	<u>23,848</u>	<u>3,352</u>
<b>Total community and     economic development</b>	<u>92,200</u>	<u>92,200</u>	<u>58,822</u>	<u>33,378</u>



**City of Wayland****BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)**

Year ended June 30, 2006

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>EXPENDITURES (Continued)</b>				
Health and welfare - ambulance service	<u>\$ 6,000</u>	<u>\$ 6,000</u>	<u>\$ 6,000</u>	<u>\$ -</u>
Debt service:				
Principal	<u>150,000</u>	<u>150,000</u>	<u>139,910</u>	<u>10,090</u>
Interest	<u>20,000</u>	<u>20,000</u>	<u>9,910</u>	<u>10,090</u>
Capital outlay	<u>33,570</u>	<u>33,570</u>	<u>30,681</u>	<u>2,889</u>
Total expenditures	<u>2,045,784</u>	<u>2,045,784</u>	<u>1,792,210</u>	<u>253,574</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(170,000)</u>	<u>(170,000)</u>	<u>144,292</u>	<u>314,292</u>
<b>SPECIAL ITEM</b>				
Proceeds from sale of land	<u>170,000</u>	<u>170,000</u>	<u>-</u>	<u>(170,000)</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>-</u>	<u>-</u>	<u>144,292</u>	<u>144,292</u>
<b>FUND BALANCES - BEGINNING</b>	<u>56,743</u>	<u>56,743</u>	<u>57,279</u>	<u>536</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 56,743</u>	<u>\$ 56,743</u>	<u>\$ 201,571</u>	<u>\$ 144,828</u>

**City of Wayland**  
**BUDGETARY COMPARISON SCHEDULE - Community Building and Park**  
**Improvement Fund**  
Year ended June 30, 2006

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>REVENUES</b>				
Interest	\$ -	\$ -	\$ 12,877	\$ 12,877
<b>EXPENDITURES</b>				
Culture and recreation	-	-	-	-
<b>NET CHANGE IN FUND BALANCES</b>	-	-	12,877	12,877
<b>FUND BALANCES - BEGINNING</b>	<u>581,017</u>	<u>581,017</u>	<u>581,017</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 581,017</u>	<u>\$ 581,017</u>	<u>\$ 593,894</u>	<u>\$ 12,877</u>

**City of Wayland**  
**BUDGETARY COMPARISON SCHEDULE - Major Street Fund**  
Year ended June 30, 2006

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>REVENUES</b>				
State grants	\$ 180,000	\$ 180,000	\$ 199,473	\$ 19,473
Interest	400	400	1,500	1,100
Total revenues	<u>180,400</u>	<u>180,400</u>	<u>200,973</u>	<u>20,573</u>
<b>EXPENDITURES</b>				
Public works	117,000	117,000	110,599	6,401
Debt service:				
Principal	40,000	40,000	45,000	(5,000)
Interest	<u>33,500</u>	<u>33,500</u>	<u>31,770</u>	<u>1,730</u>
Total expenditures	<u>190,500</u>	<u>190,500</u>	<u>187,369</u>	<u>3,131</u>
<b>NET CHANGE IN FUND BALANCES</b>	(10,100)	(10,100)	13,604	23,704
<b>FUND BALANCES - BEGINNING</b>	<u>86,312</u>	<u>86,312</u>	<u>86,312</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 76,212</u>	<u>\$ 76,212</u>	<u>\$ 99,916</u>	<u>\$ 23,704</u>

**City of Wayland**  
**SCHEDULE OF FUNDING PROGRESS**  
**Employee Retirement System**  
**(Municipal Employees' Retirement System of Michigan)**

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<i>Actuarial valuation date December 31</i>	<i>Actuarial value of assets (a)</i>	<i>Actuarial accrued liability (AAL) entry age (b)</i>	<i>Unfunded AAL (UAAL) (b-a)</i>	<i>Funded ratio (a/b)</i>	<i>Covered payroll ( c )</i>	<i>UAAL as a percentage of covered payroll ((b-a)/c)</i>
1996	\$ 1,034,617	\$ 1,351,343	\$ 316,726	77%	\$ 533,141	59%
1997	1,116,298	1,824,355	708,057	61%	609,797	116%
1998	1,143,518	1,988,122	844,604	58%	655,706	129%
1999	1,349,027	1,981,506	632,479	68%	674,859	94%
2000	1,543,950	2,261,206	717,256	68%	697,958	103%
2001	1,737,177	2,506,944	769,767	69%	739,370	104%
2002	1,900,050	2,768,933	868,883	69%	859,915	101%
2003	2,166,052	2,955,360	789,308	73%	824,641	96%
2004	2,416,105	3,366,470	950,365	72%	816,396	116%
2005	2,663,020	3,565,253	902,233	75%	807,456	112%

## **SUPPLEMENTARY INFORMATION**

**City of Wayland**  
**COMBINING BALANCE SHEET - nonmajor governmental funds**  
June 30, 2006

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	<i>Special revenue</i>			
	<i>Local Street</i>	<i>Special Road</i>	<i>Justice Training</i>	<i>Wayland Housing Improvement</i>
<b>ASSETS</b>				
Cash	\$ 37,535	\$ 179,363	\$ 1,676	\$ 36,871
Receivables, net	<u>10,385</u>	<u>-</u>	<u>-</u>	<u>50,288</u>
Total assets	<u>\$ 47,920</u>	<u>\$ 179,363</u>	<u>\$ 1,676</u>	<u>\$ 87,159</u>
<b>FUND BALANCES</b>				
Reserved for long-term receivables	\$ -	\$ -	\$ -	\$ 50,288
Unreserved, undesignated	<u>47,920</u>	<u>179,363</u>	<u>1,676</u>	<u>36,871</u>
Total fund balances	<u>\$ 47,920</u>	<u>\$ 179,363</u>	<u>\$ 1,676</u>	<u>\$ 87,159</u>

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***Total  
nonmajor  
governmental  
funds***

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\$ 255,445  
60,673

\$ 316,118

\$ 50,288  
265,830

\$ 316,118

**City of Wayland****COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - nonmajor governmental funds**

Year ended June 30, 2006

	<b>Special revenue</b>			
	<b><u>Local Street</u></b>	<b><u>Special Road</u></b>	<b><u>Justice Training</u></b>	<b><u>Wayland Housing Improvement</u></b>
<b>REVENUES</b>				
State grants	\$ 62,894	\$ 11,959	\$ 2,313	\$ -
Contribution from local unit - Allegan County	-	82,261	-	-
Interest	500	-	-	1,850
Other	-	-	-	110
Total revenues	<u>63,394</u>	<u>94,220</u>	<u>2,313</u>	<u>1,960</u>
<b>EXPENDITURES</b>				
Public safety	-	-	685	-
Public works	<u>31,659</u>	<u>10,326</u>	<u>-</u>	<u>2,598</u>
Total expenditures	<u>31,659</u>	<u>10,326</u>	<u>685</u>	<u>2,598</u>
<b>NET CHANGE IN FUND BALANCES</b>	31,735	83,894	1,628	(638)
<b>FUND BALANCES - BEGINNING</b>	<u>16,185</u>	<u>95,469</u>	<u>48</u>	<u>87,797</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 47,920</u>	<u>\$ 179,363</u>	<u>\$ 1,676</u>	<u>\$ 87,159</u>



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***Total  
nonmajor  
governmental  
funds***

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\$ 77,166

82,261

2,350

110

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161,887

---

685

44,583

---

45,268

---

116,619

199,499

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\$ 316,118

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December 5, 2006

City Council  
City of Wayland, Michigan

In planning and performing our audit of the financial statements of the City of Wayland, Michigan for the year ended June 30, 2006, we considered the City's internal control to determine our auditing procedures for the purpose of expressing opinions on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of certain matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated November 21, 2006, on the financial statements of the City of Wayland, Michigan.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with City management, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing these recommendations.

*Siegfried Crandall P.C.*

## COMMENTS AND RECOMMENDATIONS

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### ***Internal financial reporting:***

Changes to individual fund cash balances, arising from interfund reclassifications, were not recorded. As a result, most of the City's funds were out of balance. When individual funds are out of balance, the City loses its ability to adequately monitor the financial position of its funds. Without proper reporting, competent judgments cannot be made and the risk of errors increases substantially.

We recommend that the City evaluate its current procedures to adequately report financial information. The City should also establish a process of reviewing the detail records, on a monthly basis, to facilitate investigation of any errors in a timely manner. The Finance Director should be responsible for preparing the reports while the Finance Committee could be responsible for the regular review of scheduled reports.

Some examples of scheduled reports follow:

- Presentation of monthly individual fund trial balances to the Finance Committee for the committee's review and approval
- Presentation of the monthly bank reconciliation, along with bank statements, to the Finance Committee for the committee's review and approval
- Review of the monthly utility adjustments and receivable reconciliation
- Review of the bi-weekly payroll journal reports

### ***Reconciliation of cash balances:***

Bank reconciliations were not performed during the year and, accordingly, the bank balance did not agree to the respective general ledger control accounts on a monthly basis. This procedure must be performed to ensure the accuracy and completeness of all cash transactions of the City. This procedure also provides an essential check and balance on the cash receipts and disbursements functions.

We recommend that the Finance Director prepare bank reconciliations on a monthly basis and compare the reconciled bank balances to the general ledger cash accounts and resolve any differences in a timely manner. The Finance Committee could review and approve the reconciliations, as suggested above.

### ***Incomplete accounting records:***

The transactions of the City's cash accounts were not all reflected in the accounting records and numerous recording and classification errors were not corrected in a timely manner. Cash receipts, approximating \$200,000, and disbursements totaling nearly \$250,000, were not recorded in the accounting records.

We recommend the City evaluate the current procedures to adequately record and report all financial transactions of the City. The City should also establish a process of reviewing the detail records monthly to facilitate investigation of recording errors in a timely manner.

## COMMENTS AND RECOMMENDATIONS

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### ***Manual cash disbursements:***

Many cash disbursements were prepared manually (handwritten) outside the City's accounting software. Several of these manual checks were not recorded in the correct accounting period or not recorded at all. These disbursements also lacked documentation of appropriate approval.

We recommend that manual checks be prepared on a very limited basis and for emergencies only. The risk of errors increases dramatically when disbursements are recorded outside the accounting system. Furthermore, state statutes require that the Council approve all disbursements before they are issued. We recommend that the Council review all disbursements for adequate support and proper approval before checks are issued.

### ***Community Building and Park Improvement Fund accounting:***

The City's audited financial statements include the Community Building and Park Improvement Fund, a special revenue fund, which is used to account for legal restrictions on assets that were donated to the City by the estate of one of its citizens.

The City's accounting records do not include a separate fund to account for the balances and transactions of the Community Building and Park Improvement Fund. The balances and transactions are included in the General Fund. Inclusion of the assets of the Community Building and Park Improvement Fund in the General Fund distorts the cash balance and financial position of the General Fund. The Community Building and Park Improvement Fund had a cash balance in the amount of \$593,894 at June 30, 2006. Other funds had effectively borrowed \$571,462 of this amount through the expenditure of cash available in the City's pooled checking account.

We recommend that the City maintain a separate fund within its accounting records to monitor the balances and transactions of the Community Building and Park Improvement Fund.

### ***Agency Fund liabilities:***

The City's Tax Fund, an agency fund, maintains a significant cash balance because the City was delinquent in distributing property taxes that were collected for other governmental units. State statutes require that the City remit taxes collected on behalf of other units within certain time periods.

We recommend that the City determine precisely to whom this cash is owed and remit it to the appropriate governmental units. In addition, the Finance Director could present a report to the Finance Committee that identifies all taxes collected and paid prior to the annual settlement with the County.

## COMMENTS AND RECOMMENDATIONS

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### ***Budgeting:***

The City violated P.A. 621 of 1978 by incurring expenditures in excess of appropriations in certain of its budgetary funds.

We recommend that the City improve its procedures related to the monitoring of its budgetary compliance and amend the budgets, when necessary. Appropriate management personnel should be involved in the budget development and monitoring processes to create a more meaningful management tool and obtain plausible explanations of significant variances on a timely basis.

### ***Policies and procedures:***

Many of the City's policies and procedures, especially those related to the accounting function, have not been formally documented.

We recommend that the City develop a written accounting policies and procedures manual. Committing the City's policies and procedures to writing would provide several benefits, including:

- clarification of responsibilities and segregation of duties
- communication of appropriate systems of internal controls
- improve continuity at the time of personnel changes